

Eligibility

Household income under thresholds

<https://goodshepherd.org.nz/get-support/our-services/loans/>

Use before-tax income.

18 years or older

NZ Citizen or Permanent Resident

People on Work or Student Visa OK if following rules and will pay off loan before visa ends

Stable accommodation

Usually 3-month minimum – so it is clear what core essential costs need to be budgeted for

If less than 3 months, or if in emergency or transitional housing consult Good Shepherd for advice

Stable income

Usually 3-month minimum

eg. wages, W&I benefit, Best Start/Family Tax credit, board. For non-standard income consult Good Shepherd for advice

Other avenues of support considered or exhausted

e.g. must use any Work and Income support available before seeking a loan

Car loans – must have a drivers' licence

Minimum learner's licence

Eligible loan purposes

- Buying or repairing cars
- Buying or repairing other essential items, e.g. fridge or computer
- Accessing essential services, e.g. dental treatments.
- Debt consolidation (conditions apply)

Can't borrow for

- Payment of overdue bills or rent arrears
- Regular and essential living expenses – e.g., food, clothing (except school uniforms), utilities (power, phone, gas etc), rent
- Cash
- Fines or penalties
- Christmas expenses
- Travel (for any purpose), holidays, or weddings
- Visa application fees
- Business purposes
- Buy Now Pay Later (BNPL)



Financial Mentors support to clients

FMs can support clients to get into a stronger position to successfully apply for a Good Loan:

- Prioritise core expenses (e.g. food, power) and cut back on spending on non-essentials/discretionary items when required
 - If client reprioritises their spending on discretionary items, this will be evident in future bank statements
 - Good Shepherd can then include the new spending patterns in the 'loan budget' it will prepare
- Make arrangements with bank to
 - reduce or repay any current unarranged overdrafts
 - Prevent accounts going into unarranged overdraft and/or set up alerts to notify when funds low
- Stop people other than clients from accessing (or spending from) clients' accounts (e.g. family members)
- Obtain info. about reasons for defaults or insolvencies (is there compelling reason to ignore default or provide loan while insolvent?)
- Establish payment plans to:
 - catch up utilities arrears
 - address defaults by starting regular payments to creditor (exceptions sometimes available if defaults are in dispute)
- Limit use of buy now pay later facilities (don't use for recurrent costs – food, petrol, utilities) and where appropriate close facilities.

Prioritised referrals for FM clients

Good Shepherd will prioritise FM clients' loan applications when:

- FM has undertaken a reasonable assessment of clients' expenses and financial situation in line with this guidance, and
- FM can stay involved with client during application process (and assist if required)

To refer these clients:

- Complete online enquiry with client – <https://goodshepherd.org.nz/get-support/ask-or-apply-for-help/> and take note of enquiry #
- Email financialmentors@goodshepherd.org.nz – provide client name, enquiry number, details of loan sought (value and purpose) and attach FM's standard privacy waiver

General referrals to Good Loans

Refer other clients to Good Loans by making an online enquiry – <https://goodshepherd.org.nz/get-support/ask-or-apply-for-help/>

Note – This document does not set out the full requirements for a successful application for a Good Loan. It is a summary, intended to give financial mentors an indication of when a loan might be possible. Good Shepherd retains full discretion to approve or decline loan applications based on its full credit criteria.

Affordability and commitment to repay

For loan application to be approved clients must be eligible (above), have capacity to repay the loan, and the commitment to (below).

Affordability and commitment will be demonstrated through a 'loan budget' (and accompanying notes) prepared by a Good Loans Coach with reference to (1) the clients' actual income and spending over the previous three months and (2) their credit report.

Financial mentors can use the following guide to assess whether their client is currently likely to have a Good Loan application approved.

If not, FM's can support clients get into a stronger position to apply, before referring them to Good Shepherd (see previous page).

Affordability (aka capacity or ability)

Clients need to have financial capacity to repay the loan, considering their income, expenses, existing debts, & overall financial health.

- It's about having the means to make loan repayments.
- It is not necessary to demonstrate client *needs* the loan (unlike seeking help from Work and Income).

Demonstrated through a 'loan budget' which shows:

- Ongoing and sustainable income
- Expenses based on actual spending checked against prescribed reasonable minimums (benchmarks)
- Liabilities and other obligations – repaying current liabilities and paying off defaults/arrears
- Budget must take into account the clients' actual recent spending patterns and behaviour
- Money transferred to and from family and friends must be explained

Commitment

Clients' need to have a genuine desire or intention to repay the loan and their willingness to prioritise loan repayments over spending on discretionary items.

It can be demonstrated through factors like:

- payment history (financial commitments including rent, utilities, and debts paid regularly)
- account conduct (not going into unarranged overdraft or having payments 'dishonoured')
- other evidence of client's commitment to responsible financial behaviour (e.g. making sure essential expenses are prioritised)
- their explanation for defaulted debts
 - e.g. default wasn't because the client didn't want to repay, but rather that they couldn't keep up payments for reasons outside their control (e.g. lost job; forced into taking out debt by partner)
 - e.g. that client was not managing finances well at that point in their life, but they are now managing their commitments well.

Green Flags



Bank transactions

- Rent/utilities reasonably well managed (e.g. up to date and seldom late with payments)
- Client is living within their means as much as possible
- Spending on non-essentials is regulated –i.e. essential expenses and debt repayments prioritised above spending on discretionary items all or most of the time (e.g. alcohol, take aways, gaming)
- Accounts don't go overdrawn and no dishonours
- No BNPL loans, or BNPL only used occasionally or for essential items (e.g. tyres for car)
- Regular savings (even if small)
- If Good loan is to refinance debt – that debt is being paid reasonably well, and repayment amount is higher than what a client would need to pay on a Good Loan

Credit Report

- No current defaults (unless good explanation for them)
- If there are current defaults, it is clear that the client has committed to repaying (e.g. regular repayments showing in bank statements)
- Any existing debts are being paid well/regularly
- Minimum number of credit enquiries (unless good explanation for them)

Red Flags



Bank transactions

- Financial crisis – basic expenses and other obligations exceed ongoing and sustainable income
- Rent/utilities in arrears
- Discretionary spending being prioritised over core expenses, particularly where this relates to spending which can be hard to control (e.g. gambling, alcohol, smokes/vaping, online shopping)
- Accounts regularly overdrawn or currently over limit
- Large amount of dishonours
- Credit cards/ accounts are over limit
- Reliance on lines of credit for essential expenses (e.g. BNPL)
- Large reductions from amount currently spending on core expenses (eg. food, power) are proposed/ necessary to make the 'loan budget' affordable
- Transactions in bank statements show others (e.g. family) are using their bank accounts

Credit Report

- Current defaults (especially if multiple defaults, or over \$1000+ and no plan/commitment to repay)
- Currently behind in utility bills (e.g. Power, phone)
- Large number of Buy Now Pay Later facilities
- Currently insolvent (particularly if Bankrupt – lending may be possible for other forms of insolvency)